

FOR FILE 11PSC

EXPT # CENTRAL INTELLIGENCE AGENCY



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NOTE FOR: Mr. Thomas K. Latimer
Staff Director
Permanent Select Committee on
Intelligence

FROM: Dave Gries

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Per your request.

Enclosure (AP - Official says Shults testimony misrep.)

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23 January 1987

OFFICIAL SAYS SHULTZ TESTIMONY MISREPRESENTED
BY GEORGE CEDDA
WASHINGTON

ER 87-0319X

A top State Department official Friday night disputed news reports suggesting that the CIA held contacts last month with Iranian officials about future sales to that country in violation of stated policy.

The official said the news accounts had misrepresented Shultz's testimony in closed session Wednesday before the House Foreign Affairs Committee.

According to the official, who asked not to be identified, State Department and CIA officials met with Iranian representatives in Geneva on Dec. 13 to inform them that the United States had no intention of continuing arms sales to Iran.

The Iranians were informed, the official said, that the United States wanted a new relationship with Iran consistent with its status as a strategically important country.

Alluding to the changed policy in testimony Friday before the Senate Budget Committee, Shultz said the Iran affair has served as a valuable lesson. "It has reinforced the correctness of a policy that says let's not make trades for hostages or give in to terrorists," he said.

The source said the Iranians responded to the American presentation in Geneva by producing a nine-point agenda that included a recommendation that American arms sales to Iran continue.

When Shultz was informed of the Iranian agenda, he arranged for a meeting with President Reagan the following day, Dec. 14, the official said.

Reagan authorized Shultz "unequivocally" to reject the Iranian proposal and to proceed on the basis of the policy as set forth during the meeting in Geneva, the official said.

He added that the CIA representative remained on in Geneva "for family reasons" and was contacted by the Iranians on Dec. 15.

When Shultz learned of the contact, he had the impression that the CIA official was acting improperly because the discussions were being held in the absence of State Department officials, according to the sources.

Shultz's concerns about the contact that Monday were eased when he was informed that the CIA official did not deviate from the policy outlined two days earlier.

In a brief statement Friday night, the State Department said the CIA and the department are working cooperatively on Iran policy.

It said that Shultz had been concerned about the unauthorized contact on Dec. 15 with the CIA official but added that "this issue has been resolved." Congressional sources were reported to have said that Shultz told the House committee on Wednesday that the CIA had continued discussions with the Iranians in December about arms sales despite the policy change and the lead role given to the State Department in carrying out Iran policy.

The State Department statement Friday night said Shultz was pleased with the CIA's cooperation on Iran policy and believed it is "being conducted in a coherent and fully satisfactory manner."

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